

## NOTICE PUBLICATION/REGULATIONS SUBMISSION

(See instructions on reverse)

For use by Secretary of State only

STD. 400 (REV. 01-09)

OAL FILE NUMBERS	NOTICE FILE NUMBER	REGULATORY ACTION NUMBER	EMERGENCY NUMBER
	Z-2010-0329-02		2010-0406-09E

For use by Office of Administrative Law (OAL) only

2010 APR -6 PM 4:32  
OFFICE OF  
ADMINISTRATIVE LAW

NOTICE

REGULATIONS

AGENCY WITH RULEMAKING AUTHORITY  
Education Audit Appeals Panel

AGENCY FILE NUMBER (If any)

**A. PUBLICATION OF NOTICE (Complete for publication in Notice Register)**

1. SUBJECT OF NOTICE		TITLE(S)	FIRST SECTION AFFECTED	2. REQUESTED PUBLICATION DATE
3. NOTICE TYPE <input type="checkbox"/> Notice re Proposed Regulatory Action <input type="checkbox"/> Other		4. AGENCY CONTACT PERSON	TELEPHONE NUMBER	FAX NUMBER (Optional)
OAL USE ONLY	ACTION ON PROPOSED NOTICE <input type="checkbox"/> Approved as Submitted <input type="checkbox"/> Approved as Modified <input type="checkbox"/> Disapproved/Withdrawn		NOTICE REGISTER NUMBER	PUBLICATION DATE

**B. SUBMISSION OF REGULATIONS (Complete when submitting regulations)**

1a. SUBJECT OF REGULATION(S) Audits of K-12 LEAs - FY 2010-11	1b. ALL PREVIOUS RELATED OAL REGULATORY ACTION NUMBER(S)
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2. SPECIFY CALIFORNIA CODE OF REGULATIONS TITLE(S) AND SECTION(S) (Including title 26, if toxics related)

SECTION(S) AFFECTED (List all section number(s) individually. Attach additional sheet if needed.)	ADOPT
	AMEND 19816, 19816.1
	REPEAL
TITLE(S) 5	

3. TYPE OF FILING

<input type="checkbox"/> Regular Rulemaking (Gov. Code §11346)	<input type="checkbox"/> Certificate of Compliance: The agency officer named below certifies that this agency complied with the provisions of Gov. Code §§11346.2-11347.3 either before the emergency regulation was adopted or within the time period required by statute.	<input type="checkbox"/> Emergency Readopt (Gov. Code, §11346.1(h))	<input type="checkbox"/> Changes Without Regulatory Effect (Cal. Code Regs., title 1, §100)
<input type="checkbox"/> Resubmittal of disapproved or withdrawn nonemergency filing (Gov. Code §11349.3, 11349.4)	<input type="checkbox"/> Resubmittal of disapproved or withdrawn emergency filing (Gov. Code, §11346.1)	<input type="checkbox"/> File & Print	<input type="checkbox"/> Print Only
<input checked="" type="checkbox"/> Emergency (Gov. Code, §11346.1(b))	<input type="checkbox"/> Other (Specify) _____		

4. ALL BEGINNING AND ENDING DATES OF AVAILABILITY OF MODIFIED REGULATIONS AND/OR MATERIAL ADDED TO THE RULEMAKING FILE (Cal. Code Regs. title 1, §44 and Gov. Code §11347.1)

5. EFFECTIVE DATE OF CHANGES (Gov. Code, §§ 11343.4, 11346.1(d); Cal. Code Regs., title 1, §100)

<input type="checkbox"/> Effective 30th day after filing with Secretary of State	<input checked="" type="checkbox"/> Effective on filing with Secretary of State	<input type="checkbox"/> \$100 Changes Without Regulatory Effect	<input type="checkbox"/> Effective other (Specify) _____
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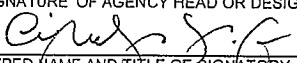
6. CHECK IF THESE REGULATIONS REQUIRE NOTICE TO, OR REVIEW, CONSULTATION, APPROVAL OR CONCURRENCE BY, ANOTHER AGENCY OR ENTITY

<input type="checkbox"/> Department of Finance (Form STD. 399) (SAM §6660)	<input type="checkbox"/> Fair Political Practices Commission	<input type="checkbox"/> State Fire Marshal
<input type="checkbox"/> Other (Specify) _____		

7. CONTACT PERSON Carolyn Pirillo	TELEPHONE NUMBER (916) 445-7745	FAX NUMBER (Optional) (916) 445-7626	E-MAIL ADDRESS (Optional) cpirillo@eaap.ca.gov
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8. I certify that the attached copy of the regulation(s) is a true and correct copy of the regulation(s) identified on this form, that the information specified on this form is true and correct, and that I am the head of the agency taking this action, or a designee of the head of the agency, and am authorized to make this certification.

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SIGNATURE OF AGENCY HEAD OR DESIGNEE 	DATE 4-6-10
TYPED NAME AND TITLE OF SIGNATORY Cindy S. Chan, Executive Officer	

1 Amend sections 19816, and 19816.1 to read:

2 **TITLE 5. Education**

3 **Division 1.5. Education Audit Appeals Panel**

4 **Chapter 3. Audits of California K-12 Local Education Agencies**

5 **§ 19816. Definitions.**

6 The content of the audit report sections and subsections specified in Section 19815 is as  
7 described in the *Codification of Statements on Auditing Standards*, published by the American  
8 Institute of Certified Public Accountants, the *Codification of Governmental Accounting and*  
9 *Financial Reporting Standards*, published by the Governmental Accounting Standards Board  
10 (GASB), or *Government Auditing Standards* published by the Comptroller General of the  
11 United States, in the respective editions applicable to the fiscal year being audited, or as  
12 defined in one of the following:

13 (a) “*Government Auditing Standards*” means the publication by the Comptroller General of  
14 the United States, United States General Accounting Office, originally issued in 1972 and  
15 revised from time to time, commonly known as the “Yellow Book,” that contains standards for  
16 audits of government organizations, programs, activities, and functions and that is referenced  
17 in Education Code sections 14501, 14503, and 41020(b)(4).

18 (b) “Local Education Agency Organization Structure” means a description in the  
19 Supplementary Information section that sets forth the following information, at a minimum:

20 (1) The date on which the local education agency was established, and for charter schools  
21 the date and granting authority of each charter;

22 (2) The date and a general description of any change during the year audited in a school  
23 district’s boundaries;

24 (3) The numbers by type of schools in the local education agency;

1 (4) The names, titles, terms, and term expiration dates of all members of the governing  
2 board;

3 (5) The names, with their titles, of the superintendent, chief business official, and  
4 deputy/associate/assistant superintendents.

5 (c) "OMB Circular A-133" means the publication, produced by the federal Office of  
6 Management and Budget and titled *Audits of States, Local Governments, and Non-Profit*  
7 *Organizations*, that sets forth standards for attaining consistency and uniformity in the audits of  
8 governments and organizations expending federal awards.

9 (d) "Reconciliation of Annual Financial and Budget Report with Audited Financial  
10 Statements" means a schedule that displays the differences between the ending fund balance(s)  
11 from the audited financial statements and the unaudited ending fund balance(s) from the annual  
12 financial and budget report for each fund in which a variance occurred.

13 (e) "Report on Internal Control Over Financial Reporting and on Compliance and Other  
14 Matters Based on an Audit of Financial Statements Performed in Accordance with *Government*  
15 *Auditing Standards*" means, for fiscal years 2003-04 through 2008-09, the component of the  
16 Other Independent Auditor's Reports that specifies material instances of noncompliance, if  
17 any; defines reportable conditions and specifies the reportable conditions disclosed as a result  
18 of the audit; defines material weaknesses and specifies the material weaknesses, if any, that  
19 were disclosed by the audit; includes a statement that no material weaknesses were found, if  
20 that is the case; includes a statement that nonmaterial noncompliance and nonreportable  
21 conditions involving the internal control structure and its operation were communicated to  
22 management in a separate management letter, if that is the case; specifies all instances of fraud  
23 and illegal acts, if any, that were disclosed by the audit, unless clearly inconsequential; and  
24 specifies material abuse, if any, that was disclosed by the audit.

(f) "Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*" means, for fiscal year 2009-10 and following, the component of the Other Independent Auditor's Reports that specifies material instances of noncompliance, if any; defines control deficiency and significant deficiency and specifies the significant deficiencies disclosed by the audit; defines material weaknesses and specifies the material weaknesses, if any, that were disclosed by the audit; if no significant deficiencies were identified, includes a statement that no material weaknesses were noted; if significant deficiencies were noted, a statement that the auditor's consideration of internal control over financial reporting would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and a statement about whether the auditor believes any of the significant deficiencies noted were material weaknesses; includes a statement that additional matters were communicated to the auditee in a management letter, if that is the case; specifies all instances of fraud and illegal acts, if any, that were disclosed by the audit, unless clearly inconsequential; specifies material violations of provisions of contracts and grant agreements, if any; and specifies material abuse, if any, that was disclosed by the audit.

(g) "Report on State Compliance" means the component of the Other Independent Auditor's Reports that specifically and separately addresses each of the state compliance requirements included in this audit guide that are applicable to the year audited, stating whether or not the district is in compliance with those requirements; includes a chart that displays the number of audit procedures for each compliance requirement applicable to the year audited and states that the audit procedures included in the audit guide for each requirement were followed in the making of the audit, if that is the case, or, if not, what other procedures were followed; and includes an expression of positive assurance with respect to

1 compliance with applicable laws and regulations for those items tested in accordance with  
2 those regulations, and negative assurance for untested items.

3 (1) The numbers of audit procedures for the compliance requirements included in this audit  
4 guide for audits of fiscal year 2003-04 are

5 Attendance Reporting, 6;

6 Kindergarten Continuance, 3;

7 Independent Study, 22;

8 Continuation Education, 10;

9 Adult Education, 9;

10 Regional Occupational Centers and Programs, 6;

11 Instructional Time and Staff Development Reform Program, 7;

12 Instructional Time for school districts, 4; for county offices of education, 3;

13 Community Day Schools, 9;

14 Instructional Materials general requirements, 9; K-8 only, 1; grades 9-12 only, 1;

15 Ratios of Administrative Employees to Teachers, 1;

16 Early Retirement Incentive, 4;

17 Gann Limit Calculation, 1;

18 Class Size Reduction (including in charter schools): general requirements, 7; Option One,  
19 3; Option Two, 4; districts or charter schools with only one school serving K-3, 4.

20 (2) The numbers of audit procedures for the compliance requirements included in this audit  
21 guide for audits of fiscal year 2004-05 are

22 Attendance Reporting, 8;

23 Kindergarten Continuance, 3;

24 Independent Study, 22;

- 1 Continuation Education, 10;
- 2 Adult Education, 9;
- 3 Regional Occupational Centers and Programs, 6;
- 4 Instructional Time and Staff Development Reform Program, 7;
- 5 Instructional Time for school districts, 4; for county offices of education, 3;
- 6 Community Day Schools, 9;
- 7 Instructional Materials general requirements, 12; K-8 only, 1; grades 9-12 only, 1;
- 8 Ratios of Administrative Employees to Teachers, 1;
- 9 Early Retirement Incentive, 4;
- 10 Gann Limit Calculation, 1;
- 11 School Construction Funds: School District Bonds, 3; State School Facilities Funds, 1;
- 12 Alternative Pension Plans, 2;
- 13 Proposition 20 Lottery Funds (Cardenas Textbook Act of 2000), 2;
- 14 State Lottery Funds (California State Lottery Act of 1984), 2;
- 15 California School Age Families Education (Cal-SAFE) Program, 3;
- 16 School Accountability Report Card, 3;
- 17 Class Size Reduction (including in charter schools): general requirements, 7; Option One,
- 18 3; Option Two, 4; districts or charter schools with only one school serving K-3, 4.
- 19 (3) The numbers of audit procedures for the compliance requirements included in this audit
- 20 guide for audits of fiscal year 2005-06 are
- 21 Attendance Reporting, 8;
- 22 Kindergarten Continuance, 3;
- 23 Independent Study, 22;
- 24 Continuation Education, 10;

Adult Education, 9;

Regional Occupational Centers and Programs, 6;

Instructional Time for school districts, 4; for county offices of education, 3;

Community Day Schools, 9;

Morgan-Hart Class Size Reduction Program, 7;

Instructional Materials general requirements, 12; K-8 only, 1; grades 9-12 only, 1;

Ratios of Administrative Employees to Teachers, 1;

Early Retirement Incentive, 4;

Gann Limit Calculation, 1;

School Construction Funds: School District Bonds, 3; State School Facilities Funds, 1;

Alternative Pension Plans, 2;

Proposition 20 Lottery Funds (Cardenas Textbook Act of 2000), 2;

State Lottery Funds (California State Lottery Act of 1984), 2;

California School Age Families Education (Cal-SAFE) Program, 3;

School Accountability Report Card, 3;

Class Size Reduction (including in charter schools): general requirements, 7; Option One, 3; Option Two, 4; districts or charter schools with only one school serving K-3, 4;

Contemporaneous Records of Attendance, for charter schools, 1;

Nonclassroom-Based Instruction/Independent Study, for charter schools, 15;

Additional Nonclassroom-Based Instruction, for charter schools, 1;

Determination of Funding for Nonclassroom-Based Instruction, for charter schools, 3;

Annual Instructional Minutes – Classroom Based, for charter schools, 3.

(4) The numbers of audit procedures for the compliance requirements included in this audit guide for audits of fiscal year 2006-07 are

- 1 Attendance Reporting, 8;
- 2 Kindergarten Continuance, 3;
- 3 Independent Study, 23;
- 4 Continuation Education, 10;
- 5 Adult Education, 9;
- 6 Regional Occupational Centers and Programs, 6;
- 7 Instructional Time for school districts, 6; for county offices of education, 3;
- 8 Community Day Schools, 9;
- 9 Morgan-Hart Class Size Reduction Program, 7;
- 10 Instructional Materials general requirements, 12; K-8 only, 1; grades 9-12 only, 1;
- 11 Ratios of Administrative Employees to Teachers, 1;
- 12 Early Retirement Incentive, 4;
- 13 Gann Limit Calculation, 1;
- 14 School Construction Funds: School District Bonds, 3; State School Facilities Funds, 1;
- 15 Alternative Pension Plans, 2;
- 16 Excess Sick Leave, 2 or 3;
- 17 Notice of Right To Elect California State Teachers Retirement System (CalSTRS)
- 18 Membership, 1;
- 19 Proposition 20 Lottery Funds (Cardenas Textbook Act of 2000), 2;
- 20 State Lottery Funds (California State Lottery Act of 1984), 2;
- 21 California School Age Families Education (Cal-SAFE) Program, 3;
- 22 School Accountability Report Card, 3;
- 23 Class Size Reduction (including in charter schools): general requirements, 7; Option One,
- 24 3; Option Two, 4; districts or charter schools with only one school serving K-3, 4;



- 1 Contemporaneous Records of Attendance, for charter schools, 1;  
2 Mode of Instruction, for charter schools, 1;  
3 Nonclassroom-Based Instruction/Independent Study, for charter schools, 15;  
4 Determination of Funding for Nonclassroom-Based Instruction, for charter schools, 3;  
5 Annual Instructional Minutes – Classroom Based, for charter schools, 3-;  
6 (5) The numbers of audit procedures for the compliance requirements included in this audit  
7 guide for audits of fiscal year 2007-08 are  
8 Attendance Reporting, 8;  
9 Kindergarten Continuance, 3;  
10 Independent Study, 23;  
11 Continuation Education, 10;  
12 Adult Education, 9;  
13 Regional Occupational Centers and Programs, 6;  
14 Instructional Time for school districts, 6; for county offices of education, 3;  
15 Community Day Schools, 9;  
16 Morgan-Hart Class Size Reduction Program, 7;  
17 Instructional Materials general requirements, 12; K-8 only, 1; grades 9-12 only, 1;  
18 Ratios of Administrative Employees to Teachers, 1;  
19 Classroom Teacher Salaries, 1;  
20 Early Retirement Incentive, 4;  
21 Gann Limit Calculation, 1;  
22 School Construction Funds: School District Bonds, 3; State School Facilities Funds, 1;  
23 Excess Sick Leave, 2 or 3;  
24 Notice of Right To Elect California State Teachers Retirement System (CalSTRS)

1 Membership, 1;  
2 Proposition 20 Lottery Funds (Cardenas Textbook Act of 2000), 2;  
3 State Lottery Funds (California State Lottery Act of 1984), 2;  
4 California School Age Families Education (Cal-SAFE) Program, 3;  
5 School Accountability Report Card, 3;  
6 Mathematics and Reading Professional Development, 4;  
7 Class Size Reduction (including in charter schools): general requirements, 7; Option One,  
8 3; Option Two, 4; districts or charter schools with only one school serving K-3, 4;  
9 After School Education and Safety Program: general requirements, 4; after school, 4;  
10 before school, 5;  
11 Contemporaneous Records of Attendance, for charter schools, 1;  
12 Mode of Instruction, for charter schools, 1;  
13 Nonclassroom-Based Instruction/Independent Study, for charter schools, 15;  
14 Determination of Funding for Nonclassroom-Based Instruction, for charter schools, 3;  
15 Annual Instructional Minutes – Classroom Based, for charter schools, 3.  
16 (6) The numbers of audit procedures for the compliance requirements included in this audit  
17 guide for audits of fiscal year 2008-09 are  
18 Attendance Reporting, 8;  
19 Independent Study, 23;  
20 Continuation Education, 10;  
21 Instructional Time for school districts, 6; for county offices of education, 3;  
22 Community Day Schools, 3;  
23 Instructional Materials general requirements, 8;  
24 Ratios of Administrative Employees to Teachers, 1;

1 Classroom Teacher Salaries, 1;  
2 Early Retirement Incentive, 4;  
3 Gann Limit Calculation, 1;  
4 School Accountability Report Card, 3;  
5 Class Size Reduction (including in charter schools): general requirements, 7; Option One,  
6 3; Option Two, 4; districts or charter schools with only one school serving K-3, 4;  
7 After School Education and Safety Program: general requirements, 4; after school, 4;  
8 before school, 5;  
9 Contemporaneous Records of Attendance, for charter schools, 1;  
10 Mode of Instruction, for charter schools, 1;  
11 Nonclassroom-Based Instruction/Independent Study, for charter schools, 15;  
12 Determination of Funding for Nonclassroom-Based Instruction, for charter schools, 3;  
13 Annual Instructional Minutes – Classroom Based, for charter schools, 3.  
14 (7) The numbers of audit procedures for the compliance requirements included in this audit  
15 guide for audits of fiscal year 2009-10 are

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16 Attendance Reporting, 8;  
17 Kindergarten Continuance, 3;  
18 Independent Study, 23;  
19 Continuation Education, 10;  
20 Instructional Time for school districts, 6; for county offices of education, 3;  
21 Instructional Materials general requirements, 8;  
22 Ratios of Administrative Employees to Teachers, 1;  
23 Classroom Teacher Salaries, 1;  
24 Early Retirement Incentive, 4;

1 Gann Limit Calculation, 1;  
2 School Accountability Report Card, 3;  
3 Public Hearing Requirement – Receipt of Funds, 1;  
4 Class Size Reduction (including in charter schools): general requirements, 7; Option One,  
5 3; Option Two, 4; districts or charter schools with only one school serving K-3, 4;  
6 After School Education and Safety Program: general requirements, 4; after school, 4;  
7 before school, 5;  
8 Contemporaneous Records of Attendance, for charter schools, 1;  
9 Mode of Instruction, for charter schools, 1;  
10 Nonclassroom-Based Instruction/Independent Study, for charter schools, 15;  
11 Determination of Funding for Nonclassroom-Based Instruction, for charter schools, 3;  
12 Annual Instructional Minutes – Classroom Based, for charter schools, 3.

13 (8) The numbers of audit procedures for the compliance requirements included in this audit  
14 guide for audits of fiscal year 2010-11 are

15 Attendance Reporting, 8;

16 Kindergarten Continuance, 3;

17 Independent Study, 23;

18 Continuation Education, 10;

19 Instructional Time for school districts, 6; for county offices of education, 3;

20 Instructional Materials general requirements, 8;

21 Ratios of Administrative Employees to Teachers, 1;

22 Classroom Teacher Salaries, 1;

23 Early Retirement Incentive, 4;

24 Gann Limit Calculation, 1;

1 School Accountability Report Card, 3;

2 Public Hearing Requirement – Receipt of Funds, 1;

3 Class Size Reduction (including in charter schools): general requirements, 7; Option One,  
4 3; Option Two, 4; districts or charter schools with only one school serving K-3, 4;

5 After School Education and Safety Program: general requirements, 4; after school, 4;  
6 before school, 5;

7 Contemporaneous Records of Attendance, for charter schools, 1;

8 Mode of Instruction, for charter schools, 1;

9 Nonclassroom-Based Instruction/Independent Study, for charter schools, 15;

10 Determination of Funding for Nonclassroom-Based Instruction, for charter schools, 3;

11 Annual Instructional Minutes – Classroom Based, for charter schools, 3.

12 (h) “Report on Compliance With Requirements Applicable to Each Major Program and  
13 Internal Control Over Compliance in Accordance With OMB Circular A-133” means the  
14 component of the Other Independent Auditor’s Reports that states whether the auditee has  
15 complied with federal laws, regulations, and the provisions of federal contracts or grant  
16 agreements and has established and maintained effective internal control over compliance with  
17 the requirements for major federal programs.

18 (i) “Schedule of Average Daily Attendance” means the schedule in the Supplementary  
19 Information section that displays Average Daily Attendance data for both the Second Period  
20 and Annual reports, by grade level and program as appropriate, and, for charter schools,  
21 includes total Average Daily Attendance and Average Daily Attendance generated through  
22 classroom-based instruction; and for fiscal year 2009-10 and following, if there are any  
23 Average Daily Attendance adjustments due to audit findings, displays additional columns for  
24 the Second Period and Annual reports reflecting the final Average Daily Attendance after audit

1 finding adjustments.

2 (j) "Schedule of Charter Schools" means the schedule in the Supplementary Information  
3 section that lists all charter schools chartered by the school district or county office of  
4 education, and displays information for each charter school on whether or not the charter  
5 school is included in the school district or county office of education audit.

6 (k) "Schedule of Financial Trends and Analysis" means, for fiscal year 2003-04, the  
7 schedule in the Supplementary Information section that displays information regarding the  
8 auditee's financial position and going concern status, in the form of actual financial and  
9 attendance figures for at least the most recent three-year period (ending with the audit year),  
10 plus the current year's budget, for the following items: General Fund financial activity,  
11 including total revenue, expenditures, and other sources and uses; General Fund balance;  
12 available reserve balances (funds designated for economic uncertainty, and any other  
13 remaining undesignated fund balance) within the General Fund, Special Reserve Fund, and any  
14 Article XIII-B Trust Funds; available reserve balances expressed as a percentage of total  
15 General Fund outgo (expenditures, transfers out, and other uses), including a comparison to the  
16 applicable state-recommended available reserve percentage; total long-term debt; and  
17 elementary and secondary Second Principal Average Daily Attendance, excluding Regional  
18 Occupational Centers and Programs and Adult Average Daily Attendance; and, when the  
19 auditee's percentage of available reserves to total General Fund outgo is below the state-  
20 recommended percentage, management's plans for increasing the auditee's available reserve  
21 percentage.

22 (l) "Schedule of Financial Trends and Analysis" means, for fiscal year 2004-05 and each  
23 fiscal year thereafter, the schedule in the Supplementary Information section that displays  
24 information regarding the auditee's financial position and going concern status, in the form of

1 actual financial and attendance figures for at least the most recent three-year period (ending  
2 with the audit year), plus the current year's budget, for the following items: General Fund  
3 financial activity, including total revenue, expenditures, and other sources and uses; General  
4 Fund balance; available reserve balances (funds designated for economic uncertainty, and any  
5 other remaining undesignated fund balance) within the General Fund or Special Reserve Fund;  
6 available reserve balances expressed as a percentage of total General Fund outgo  
7 (expenditures, transfers out, and other uses), including a comparison to the applicable state-  
8 recommended available reserve percentage; total long-term debt; and elementary and  
9 secondary Second Principal Average Daily Attendance, excluding Regional Occupational  
10 Centers and Programs and Adult Average Daily Attendance; and, when the auditee's  
11 percentage of available reserves to total General Fund outgo is below the state-recommended  
12 percentage, management's plans for increasing the auditee's available reserve percentage.

13 (m). "Schedule of Findings and Questioned Costs" means that part of the Findings and  
14 Recommendations section that presents all audit year findings, and a copy of each management  
15 letter issued, if any, with each finding assigned the appropriate code from among the  
16 following: 10000 Attendance, 20000 Inventory of Equipment, 30000 Internal Control, 40000  
17 State Compliance, 41000 CalSTRS, 50000 Federal Compliance, 60000 Miscellaneous, 61000  
18 Classroom Teacher Salaries, 70000 Instructional Materials, 71000 Teacher Misassignments,  
19 72000 School Accountability Report Card, and includes the following elements:

20 (1) criteria

21 (2) condition

22 (3) effect

23 (4) cause

24 (5) a statement of the number of units of Average Daily Attendance, if any, that were

1 inappropriately reported for apportionment; and a statement consistent with its basis of  
2 funding, for any other inappropriately reported claim—such as number of staff  
3 development days, or number of pupils for Class Size Reduction, or amount in dollars for  
4 Instructional Materials, and so forth

5 (6) a recommendation for the resolution of the finding

6 (7) a corrective action plan prepared by the auditee that describes in specific terms the  
7 actions planned or taken to correct the problem, or a statement from the auditee that the  
8 corrective action recommended by the auditor is not necessary or appropriate and giving  
9 the specific reasons why, if that is the case, and a statement that the corrective action plan  
10 was not available if no corrective action plan was submitted before the audit report was  
11 prepared.

12 (n) “Schedule of Instructional Time” means a schedule in the Supplementary Information  
13 section that displays, for school districts, including basic aid districts, and county offices of  
14 education, data that show whether the auditee complied with the provisions of Article 8  
15 (commencing with Section 46200) of Chapter 2 of Part 26 of the Education Code; and for  
16 charter schools, data that show whether the auditee complied with the provisions of subdivision  
17 (a)(1) of Education Code Section 47612.5.

18 (o) “Schedule of Prior Audit Findings” means that part of the Findings and  
19 Recommendations section that presents the status of actions taken by the auditee on each of the  
20 findings and recommendations reported in the prior year audit, and includes as current year  
21 findings and recommendations those prior year findings that have not been resolved.

22 NOTE: Authority cited: Section 14502.1, Education Code. Reference: Sections 14501,  
23 14502.1, 14503, 41020 and 47634.2, Education Code.

24 **§ 19816.1. Applicability of Audit Procedures by Audit Year.**



1 (a) Of the compliance requirements set forth in Article 3:

2 (1) Sections 19817 through 19825, and 19828 through 19831 are applicable to fiscal year  
3 2003-04 audits;

4 (2) Sections 19817.1 through 19825, and 19828.1 through 19837 are applicable to fiscal  
5 year 2004-05 audits.

6 (3) Sections 19817.1 through 19822, 19824, 19825, 19827, and 19828.1 through 19837 are  
7 applicable to fiscal year 2005-06 audits.

8 (4) Sections 19817.1 through 19822, 19824, 19825, 19827, and 19828.1 through 19837 are  
9 applicable to fiscal year 2006-07 audits.

10 (5) Sections 19817.1 through 19822, 19824, 19825, 19827, 19828.2 through 19832, and  
11 19833.5 through 19838 are applicable to fiscal year 2007-08 audits.

12 (6) Sections 19817.1, 19819, 19820, 19824, 19825, 19828.3 through 19831, and 19837.2  
13 are applicable to fiscal year 2008-09 audits.

14 (7) Sections 19817.1 through 19820, 19824, 19828.4 through 19831, 19837.3, and 19839,  
15 are applicable to fiscal year 2009-10 audits.

16 (8) Sections 19817.1 through 19820, 19824, 19828.4 through 19831, 19837.3, and 19839,  
17 are applicable to fiscal year 2010-11 audits.

18 (b) Of the compliance requirements set forth in Article 3.1,

19 (1) Section 19845 is applicable to fiscal year 2003-04 audits;

20 (2) Section 19845.1 is applicable to fiscal year 2004-05 audits;

21 (3) Section 19845.1 is applicable to fiscal year 2005-06 audits;

22 (4) Section 19845.1 is applicable to fiscal year 2006-07 audits;

23 (5) Sections 19845.1 and 19846 are applicable to fiscal year 2007-08 audits.

24 (6) Sections 19845.2 and 19846 are applicable to fiscal year 2008-09 audits.

(7) Sections 19845.2 and 19846 are applicable to fiscal year 2009-10 audits.

(8) Sections 19845.2 and 19846 are applicable to fiscal year 2010-11 audits.

(c) Of the compliance requirements set forth in Article 4,

(1) Sections 19850 through 19854 are applicable to fiscal year 2005-06 audits.

(2) Sections 19850 through 19854 are applicable to fiscal year 2006-07 audits.

(3) Sections 19850 through 19854 are applicable to fiscal year 2007-08 audits.

(4) Sections 19850 through 19854 are applicable to fiscal year 2008-09 audits.

(5) Sections 19850 through 19854 are applicable to fiscal year 2009-10 audits.

(6) Sections 19850 through 19854 are applicable to fiscal year 2010-11 audits.

NOTE: Authority cited: Section 14502.1, Education Code. Reference: Sections 14501, 14502.1, 14503, 41020 and 47634.2, Education Code.

03/22/10

## **Finding of Emergency**

The Education Audit Appeals Panel (EAAP) has statutory authority to use the emergency regulations process to meet the deadlines specified for the adoption of an annual audit guide by July 1 of the fiscal year to be audited (and any supplement, as authorized, before March 1 of the audit year). (Educ. Code § 14502.1(b).)

### **Specific Facts Showing the Need for Immediate Action**

Education Code Section 41020 requires the governing board of every local education agency (LEA) that serves kindergarten or any of grades 1 through 12 (K-12) to provide for an annual audit of the agency's books and accounts. Section 41020 further requires that the audit be developed and reported using a format established by the Controller after consultation with the Superintendent of Public Instruction and Director of Finance. Education Code Section 14502.1 requires the Controller, in consultation with the Department of Finance and the State Department of Education as well as representatives of specified organizations, to propose the content of an audit guide to promote accountability for public educational funds.

Education Code Section 14502.1 requires the Controller to submit the audit guide to EAAP for review and possible amendment. EAAP is then to adopt the audit guide pursuant to the rulemaking procedures of the Administrative Procedure Act (APA) by July 1 of the fiscal year to be audited. (EAAP is also authorized to adopt, before March 1 of the audit year, a supplemental audit guide to address legislative changes in the conditions of apportionment of school funding.)

To meet the statutory timelines and ensure the accuracy of the audit guide, Section 14502.1 authorizes use of the emergency regulations procedures of the APA to adopt the guide as regulations. Meeting the timelines in Section 14502.1 through use of the emergency regulations procedures affords notice to K-12 LEAs of the areas of their operations that will be subjected to particular scrutiny, at the beginning of the fiscal year that will subsequently be scrutinized through the audit process. Further, meeting the timelines enables accounting firms to prepare training materials and provide training to their field auditors prior to the commencement of auditing.

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### **Authority and Reference**

Authority cited: Section 14502.1, Education Code.

Reference: sections 14501, 14502.1, 14503, and 41020, Education Code.

### **Informative Digest**

The purpose of these regulations is to provide definitions of terms and specification of procedures to guide accountants in the conduct of statutorily required financial and compliance audits of K-12 local education agencies.

This rulemaking accomplishes the annual update of the guide for 2010-11 pursuant to Education Code Section 14502.1(a) and (b).

**Title 5, Division 1.5**  
**Chapter 3. Audits of California K - 12 Local Education Agencies**  
**Article 2 Audit Reports**

**§ 19816. Definitions.**

This section defines terms used in Section 19815 of these regulations that pertain to state program compliance and to federal publications referenced in Section 19815.

Subparagraph (f)(8) is added to specify the numbers of audit procedures proposed for inclusion in the audit guide for fiscal year 2010-11.

**§ 19816.1. Applicability of Audit Procedures by Audit Year.**

This section specifies which sections of the audit guide are applicable to each audit year.

The sections that are applicable to audits of fiscal year 2010-11 are listed in new subparagraph (a)(8) for Article 3, new subparagraph (b)(8) for Article 3.1, and new subparagraph (c)(6) for Article 4.

**Mandate on Local Agencies or School Districts**

EAAP has determined that these regulations do not impose a mandate on local education agencies. No reimbursement is required.

**Cost Estimate**

EAAP has also determined that the regulations will involve no costs or savings to any State agency, no nondiscretionary costs or savings to local agencies or school districts, no reimbursable costs or savings to local agencies or school districts under Section 17561 of the Government Code, and no costs or savings in federal funding to the State.